

**Short-Doyle Medi-Cal Phase 2  
Implementation Planning Document**

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## 1 Introduction

This document intends to provide guidance to counties and ADP direct providers regarding the implementation of the Short-Doyle Medi-Cal Phase 2 system.

## 2 Phase 2 Timeline

The purpose of this section is to provide a high-level schedule overview for the Short-Doyle Medi-Cal (SDMC) Phase 2 Project to all counties and ADP direct providers.

The goal of the SDMC Phase 2 Project is to achieve full HIPAA compliance for the SDMC system. Department of Health Care Services (DHCS), Department of Alcohol and Drug Programs (ADP) and Department of Mental Health (DMH) are working in partnership to implement the new system.

DHCS, ADP, and DMH have agreed to a revised schedule that calls for initial (beta) testing with selected vendors, counties and ADP direct providers beginning September 2009. The first "Go-Live" production claims would be submitted to the Short-Doyle Medi-Cal Phase 2 system in November 2009 and phased in over the following months. Full production use of Phase 2 by all counties and ADP direct providers would occur by February 2010, followed shortly thereafter by a complete shut-down of the SDMC Phase 1 claims processing system.

	2009									2010		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>State End-to-End Test</b>												
<b>Beta Test</b>												
<b>County and Direct Provider Test</b>												
<b>Implementation - Wave 1</b>												
<b>Implementation - Wave 2</b>												
<b>Implementation - Wave 3</b>												
<b>Phase 1 Retirement</b>												

According to the revised project schedule, counties and ADP direct providers will actively participate in the Beta Test and County and ADP Direct Provider Test and Implementation phases of the project. They will receive support from the three departments during these phases to ensure a successful transition to the new system.

### **State End to End Test**

May 2009 – August 2009

State End to End Test phase will occur in a twelve week period from May 2009 through August 2009. DHCS will provide support for ADP and DMH and verify that the test results are successful.

### **Beta Test**

September 2009 – October 2009

Beta Test phase will occur in a seven week period from September 2009 to October 2009. During this phase, vendors, select counties and ADP direct providers will submit

and receive test data to and from the Phase 2 testing environment. DHCS will be the first point of contact for the test participants for issues arising during Beta Test. Participants will continue to submit production SDMC claims to the Phase I system concurrent with their testing activities.

**County/ADP Direct Provider Test and Implementation**

November 2009 – February 2010

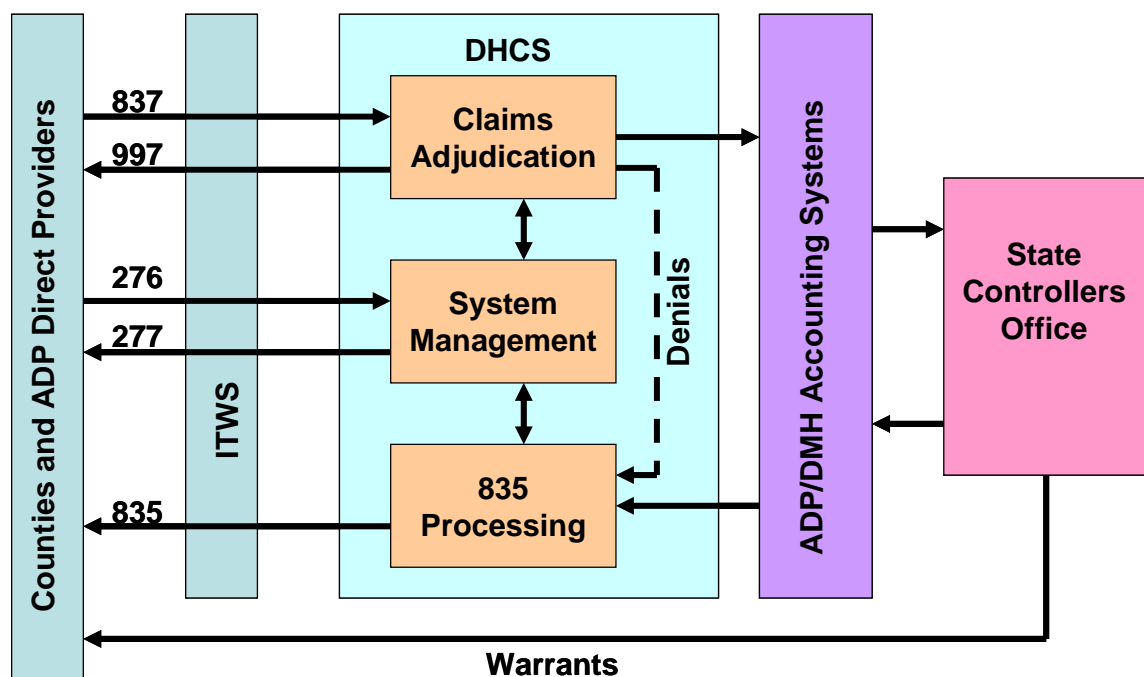
County/ADP Direct Provider Test and Implementation phase will occur in a twelve week period from November 2009 to February 2010. ADP and DMH will coordinate with the counties and direct providers using a phased-in test and implementation process.

The first wave of counties will go live with SDMC Phase 2 in December 2009, preceded by a period during which counties can test their systems that send and receive files to and from SDMC Phase 2. The second and third wave of counties will go live in the following months on specified go live dates. Please refer to 5.2 Departmental Implementation Strategies for more information.

Counties and ADP direct providers will continue to submit production SDMC claims to the Phase I system concurrent with their testing activities. After a county or ADP direct provider cuts over to the Phase II system on its designated go live date, it may no longer submit claims to the Phase 1 system.

### 3 Claims Process Overview

The Short-Doyle Medi-Cal Phase 2 claims process spans four different state departments. While the current phase 1 claims process can take eight to ten weeks before a warrant is sent to the submitter, the Phase 2 process is expected to reduce that timeframe. The majority of interfaces between state departments have been automated in the Phase 2 implementation.



A description of the Phase 2 process follows:

1. A file containing 837 claims transactions is uploaded onto ITWS.
2. The submitted claims file is transmitted to DHCS for validation while awaiting receipt of certification.
3. DHCS posts the file containing 997 transactions for the submitted 837.
4. The file is released for adjudication after validation of submitted certification documentation.
5. Once released for adjudication, the transactions are usually adjudicated by DHCS within minutes.
6. When adjudication has been completed, a claims summary file is sent to the appropriate accounting system (ADP or DMH).
7. For all claims not requiring payment processing (e.g. denials), DHCS creates an 835 file and posts to ITWS.
8. ADP or DMH accounting processes the claims payment file and prepares a file that is submitted to the State Controllers Office (SCO) for payment.

9. SCO creates requested warrants and sends warrants directly to the submitter. SCO returns a control file back to the appropriate department's accounting with warrant information.
10. ADP or DMH accounting processes the SCO control file and sends the Claim Payment detail to DHCS.
11. DHCS receives the Claim Payment detail, stores required information and then creates the 835 file which is uploaded to ITWS.
12. A submitter may send a claim status request (276) at any time, the claim status response (277) will return whatever current information is found within the SDMC Phase 2 database.
13. An unsolicited 277 transaction may be sent to submitters at various instances throughout the claims process cycle.

## **4 Pre-Implementation Activities**

This section covers all activities scheduled prior to implementation of the Phase 2 system.

### **4.1 STATE END-TO-END TESTING**

During this testing phase the State will verify that the system is functioning as expected and is ready for Beta testing with vendors and select counties and ADP direct providers. This testing phase is currently scheduled for May through August 2009.

### **4.2 INFORMAL SNIP TESTING**

Vendors, counties and ADP direct providers may submit a small test file to DHCS at any time to assist in verification of file format and initial data content editing. DHCS will run the submitted test file through the Companion Guide edits for the specific transaction and return the SNIP error report produced by Edifecs Xengine to the submitter.

### **4.3 BETA TESTING**

A select group of vendors, counties and ADP direct providers will be invited to test the system on a formal basis. Beta testers will be provided with unique groups of MEDS test beneficiary IDs and specific ITWS access to use during the Beta test period. Beta testers will be responsible for their own test cases and verification. Any concerns or issues can be brought to the attention of the State through the Beta testing coordinator who will facilitate resolution.

After a period of successful testing using test beneficiary IDs, Beta testers will be permitted to use full production beneficiary data for a short period of time through the SDMC production environment.

This testing phase is currently scheduled for September through October 2009.

### **4.4 STATEWIDE TESTING AND IMPLEMENTATION**

Since the Phase 2 implementation will occur in three “waves,” each county and ADP direct provider will be contacted to determine which of the three “waves” they should be assigned to. All ADP direct providers and DMH Behavioral Health counties will be assigned to the second wave.

Once Beta testing has been concluded, all counties and ADP direct providers will be invited to test the Phase 2 system. Counties and ADP direct providers will be provided with unique groups of MEDS test IDs and specific ITWS access to use during this test period. The test MEDS IDs will be created by claims submitted for fiscal year 2007-08. Counties and ADP direct providers will be responsible for their own test cases and verification. Any concerns or issues can be brought to the attention of the State through the testing coordinator who will facilitate resolution.

After a period of successful testing using test beneficiary IDs, testers scheduled for the first wave of implementation will be permitted to use full production data for a short period of time. Testers scheduled for the second or third wave may also test with production beneficiary data in the same window as Wave 1. After Wave 1 testers begin submitting Phase 2 production claims for payment, all subsequent testing will be restricted to test beneficiary data.

This testing and implementation phase is currently scheduled for November 2009 through February 2010.

#### **4.5 COUNTY AND ADP DIRECT PROVIDER READINESS**

After DHCS, ADP and DMH successfully complete their end-to-end testing and beta testing phases, the State will track the status of each county's and ADP direct provider's ability to submit test files. The State will identify a departmental single point of contact for every county and ADP direct provider, to assist with tracking the following types of critical activities:

- ITWS access verified
- Phase 2 go-live date scheduled
- Test MEDS IDs received
- 837 submitted to ITWS
- 837 accepted, 997 returned
- 835 received for paid claims
- 835 received for denied claims

Other activities will be tracked, including

- 837 includes Voids
- 837 includes Replacements
- 276 submitted
- 277 returned

The county and ADP direct provider readiness assessment will be one of the tools the State will use to determine whether DMH or ADP needs to escalate the resolution of testing or implementation issues within a county's or ADP direct provider's organization. Such escalation could include targeted outreach, technical assistance, or executive intervention.

#### **4.6 CONTINGENCY**

At major milestones during the SDMC Phase 2 project, DMH, ADP and DHCS will assess the systems, processes and staff required to meet the needs of the next project stage. The purpose of each checkpoint is to:

- Ensure that all critical tasks required to successfully close the previous stage have completed



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- Validate that all critical resources are in place to successfully complete the project's next stage
- Revisit project risks that may jeopardize the success of the SDMCII implementation
- Gain consensus among the Departments on the likelihood of continued implementation success

These checkpoints will occur before and after each of the major SDMC Phase 2 activities in the latest project plan. The table below outlines the evaluation criteria for entry into each project stage.

Project Stage	Entry Criteria
Beta Testing	State end-to-end testing identified no major unresolved system issues that cannot be fixed in time for the scheduled Statewide testing Regression testing has been completed successfully after State end-to-end testing
Statewide Testing and Implementation	Beta testing identified no major unresolved system issues that have not already been fixed and cannot otherwise be accommodated via a process work-around
Phase 1 System Shutdown	Statewide testing identified no major unresolved system issues that have not already been fixed and cannot otherwise be accommodated via a process work-around

In cases where the Departments determine that the entry criteria have not been met, such an event will trigger the execution of a project contingency suitable for the severity of the project issue.

## 5 Implementation Activities

### 5.1 DATA CONVERSION

- The SDMC Phase 1 EOB will be used as the source of data for SD/MC Phase 2. Only the data necessary to support claim adjudication business rules (i.e. duplicate checking, lock-out, combined aggregates/maximums) will be converted.
- Void and replacements will only be allowed for Phase 2 claims.
- Both DMH and ADP will develop and implement processes to handle disallowance and/or resubmission of Phase 1 claims.
- Consequently, no conversion information (e.g., PCCN of Phase 1 converted claims) needs to be provided to counties and ADP direct providers.
- The audit and cost settlement processes will be supported by data in DMH's and ADP's internal claims accounting systems (see separate topic).
- FY 09/10 cost settlement process will be similar to today's cost settlement process.
- Departments will provide procedure code crosswalk information separately.

### 5.2 DEPARTMENTAL IMPLEMENTATION STRATEGY

#### 5.2.1 ADP SDMC Claim Cutover to Phase 2

ADP counties and direct providers will "cutover" to the new Phase 2 system.

- Phase 1 claims will be accepted through December 31, 2009.
- Final 835s for all Phase 1 claims will be available on ITWS for county and ADP direct provider download no later than January 8, 2010.
  - Phase 1 835 denials will be generated and be available on ITWS no later than January 8, 2010.
  - "One-time" 835s will be generated from the Phase 1 system for any Phase 1 claims that are "approved but awaiting a warrant" as of January 8, 2009. These 835s will contain all approved but not yet paid service lines, and will show the full amount payable for each line adjusted with a "payment deferred" code (CO/143).
  - A Phase 2 835 will be sent containing warrant information for Phase 1 claims when the State Controller's Office issues a warrant. The specifics of how this 835 will be formatted are contained in ADP's Companion Guide Appendix.
- Data conversion from Phase 1 to Phase 2 will occur between January 6, 2010 and January 10, 2010.
- ADP counties and direct providers may start submitting Phase 2 claims on January 1, 2010, but no claims will be adjudicated until the successful completion of Phase 1 to Phase 2 data conversion activities.

- During the time that the county's and ADP direct provider's final Phase 1 claims are adjudicated and the final Phase 1 835 and EOB files are transmitted, the county's and ADP direct provider's Phase 2 claims will be held in a queue awaiting Phase 2 claims adjudication. The counties and ADP direct providers will receive the 997 reply from the SDMC system indicating the status of the Phase 2 837 file receipt. However, the counties and ADP direct providers will not receive any Phase 2 835 response to the Phase 2 837 until after the Phase 1 claims have been adjudicated.

### **5.2.2 DMH SDMC Claim Cutover to Phase 2**

Each county will be assigned to an implementation "wave." At the end of the county's Phase 2 testing cycle (i.e., the "cutover date"), the county will no longer be able to submit SDMC claims using the Phase 1 process or format. After the cutover date, the county must submit SDMC claims using the Phase 2 process and format.

For approximately two weeks after a county's cutover date, the county will continue to receive Phase 1 835 and EOB files. During the time that the county's final Phase 1 claims are adjudicated and the final Phase 1 835 and EOB files are transmitted, the county's Phase 2 claims will be held in a queue awaiting Phase 2 claims adjudication. The county will receive the 997 reply from the SDMC system indicating the status of the Phase 2 837 file receipt. However, the county will not receive any Phase 2 835 response to the Phase 2 837 until after the Phase 1 claims have been adjudicated.

After the county's final Phase 1 claims have been adjudicated, the county's Phase 1 claims will be converted and loaded into the Phase 2 system as required to support claims adjudication edits (e.g., maximums, lockouts and duplicates). After the county's Phase 1 data is converted, the Phase 2 837 files will be released from the queue into Phase 2 adjudication. The county will receive Phase 2 835 responses to the Phase 2 837 claims after adjudication.

### **5.3 PHASE 1 SYSTEM RETIREMENT**

As each county or ADP direct provider is transitioned to use of the Phase 2 system, Phase 1 access for that specific county or ADP direct providers will be withdrawn. All Phase 1 access will be removed once all counties and ADP direct providers have transitioned to Phase 2 per the schedule outlined above.

Data currently held within the phase 1 system will be kept for audit purposes for a currently undefined period of time.

## **6 Post-Implementation Activities**

### **6.1 PHASE 1 CLAIMS RESUBMISSION**

#### **6.1.1 ADP Process**

ADP direct providers may resubmit claims for services that were denied in the Phase 1 system in the Phase 2 system. Because the Phase 2 system will not support replacement of Phase 1 claims, these resubmissions of Phase 1 claims in the Phase 2 system ("bridge resubmissions") will be identified, on the 837, as original claims in Phase 2.

To assure traceability and proper processing, procedures similar to those used for resubmissions in Phase 1 will be applied to bridge resubmissions. As is the case for Phase 1 resubmissions, bridge resubmissions will need to be submitted in a separate ITWS file from any other claims. Bridge resubmissions must be identified as such on the Claim Submission Certification Form, and the Phase 1 batch number on which the claims were denied must also be identified on the Claim Submission Certification Form. Bridge resubmissions must be submitted via ITWS within six months of the date of the Phase 1 denial, and ADP will discontinue support for the bridge resubmission process six months after the last Phase 1 claim denials.

Additional information on the bridge resubmission process will be included in a future revision of the ADP Companion Guide Appendix and in the forthcoming Drug Medi-Cal (DMC) Provider Billing Manual.

#### **6.1.2 DMH Process**

For claims denied in Phase 1 before the county begins to submit its production claims to the Phase 2 system, a county may resubmit those denied Phase 1 claims subject to timely filing requirements. To ensure proper adjudication and adherence to timely filing requirements, DMH will include guidance in the SDMCII Companion Guide and Appendix on how to identify Phase 1 denials that a county submits in the Phase 2 system.

In summary, claims resubmitted in Phase 2 for claims denied in Phase 1 will be identified in separately submitted files that contain resubmitted Phase 1 claims exclusively. This separate file may not contain any claims originally submitted through the Phase 2 system. On a separate claim certification form, counties also will certify that such files submitted to ITWS contain only Phase 1 claim resubmissions, and the county is submitting all the claims in the file within three months from the month in which the claim was returned as denied. The Phase 2 Companion Guide will provide a temporary code that counties will use to support Phase 1 denied claim resubmissions.

Any denied Phase 1 claims resubmitted to the Phase 2 system must be received within 97 days after the county's Phase 2 cutover date. Denied Phase 1 claims resubmitted more than 97 after the county's Phase 2 cutover date will be rejected.

Only one resubmission cycle is allowed for any claim denied in Phase 1 or Phase 2. Any denied claim (originally submitted in Phase 1 or Phase 2) may not be resubmitted to the SDMC phase 2 claims processing system more than once.

All denied Phase 1 claims resubmitted to the Phase 2 system are subject to timely filing requirements.

## **6.2 PHASE 1 CLAIMS ADJUSTMENTS**

### **6.2.1 DMH Phase 1 Voids and Disallowances**

After the Phase 1 SDMC claims processing system is retired, counties will follow existing guidance on using the DMH Disallowed Claim System (DCS) for disallowing Phase 1 claims until otherwise indicated by DMH.

Counties may not resubmit SDMC claims for any disallowed services entered in the DCS. This prohibition applies to all disallowed Phase 1 claims.

After a county has begun to submit its production claims in the Phase 2 system, it may not use DCS to disallow claims submitted in the Phase 2 system. Counties must use the Phase 2 void functionality to reverse or resubmit claims that were submitted in the Phase 2 system.

### **6.2.2 ADP Phase 1 Claims Adjustments**

Because the Phase 2 system will not support voids to Phase 1 claims, counties and ADP direct providers will continue to use the ADP 5035C to report any identified adjustments identified to claims approved and paid in the Phase 1 system, even after the Phase 2 cutover. Additional information about the use of the ADP 5035C for adjustment to Phase 1 claims will be provided in the forthcoming DMC Provider Billing Manual.

## **6.3 AUDITS AND COST SETTLEMENT**

### **6.3.1 DMH**

Until DMH guidance directs otherwise, cost settlement and audits will be conducted according to the procedures, format and schedule as currently required. A procedure code mapping table, with matches between proprietary SD/MC codes and national standard HIPAA-compliant codes, is included in the Companion Guide appendix. Information on DMH units of service conversion between the proprietary and HIPAA codes also is included in the appendix.

### **6.3.2 ADP**

The Phase 2 cost settlement process will incorporate a process to deal with claims submitted in both Phase 1 and Phase 2 claims adjudication systems for FY 09/10.

Consequently, counties will need to produce a cost report that contains information for both Phase 1 claims and Phase 2 claims for FY09/10.

There is a comprehensive document (Phase\_2\_Cost\_Reports\_20090318) posted on ITWS and ADP's HIPAA website containing information to assist with planning for the FY09/10 cost settlement process.

## **6.4 GOOD CAUSE AND PHASE 2**

### **6.4.1 ADP**

With the extension in the SDMC Phase 2 schedule to allow adequate time for the direct providers to test and transition to the new system, ADP does not foresee any changes to the existing Good Cause procedures. ADP will continue to operate under the existing procedures dictated by 22 C.C.R. §§ 51008, 51008.5.

### **6.4.2 DMH**

DMH Good Cause requirements are unchanged. For a list of valid delay reason codes, please refer to the SDMC Phase 2 Companion Guide.

## 7 Phase 2 Documentation

### 7.1 FAQs

Answers to Frequently Asked Questions (FAQs) about the SDMC Phase 2 project can be found at the SDMC Phase 2 ITWS website ([https://mhhitws.cahwnet.gov/systems/sdmc/docs/public/short\\_doyle\\_-\\_medi-cal\\_phase\\_ii.asp](https://mhhitws.cahwnet.gov/systems/sdmc/docs/public/short_doyle_-_medi-cal_phase_ii.asp)) and are tracked as part of the SDMC Phase 2 Action Items List. The FAQs are also posted on <http://www.adp.ca.gov/hp/hipaa>. This list is updated regularly with SDMC Phase 2 questions from vendors, counties and ADP direct providers, many of which are presented during the weekly public SDMCII Conference Call.

### 7.2 COMPANION GUIDES AND APPENDICES

Also available on the SDMC Phase 2 ITWS website are current copies of the companion guides and appendices. These documents provide detailed specifications and supplemental information important to counties and ADP direct providers for their successful transition from Phase 1 to Phase 2.

ADP Companion Guides (837P, 835, 276, 277, 997) are also posted on ADP's HIPAA website at <http://www.adp.ca.gov/hp/hipaa.shtml>.

New releases of the Companion Guides and Appendices will be published in May, August and November 2009. Interim updates are provided between releases to counties and ADP direct providers during the weekly call or on ITWS. A SDMC Phase 2 production documentation release schedule will be established after the Phase 1 system is retired.

### 7.3 EMAIL

Counties and ADP direct providers also can email questions about the SDMC Phase 2 project to DMH at [DMH-SDMCII@dmh.ca.gov](mailto:DMH-SDMCII@dmh.ca.gov) or to ADP at [HIPAA1@adp.ca.gov](mailto:HIPAA1@adp.ca.gov). New questions will be added to the SDMC Phase 2 Action Items List on ITWS.

### 7.4 BILLING MANUALS

ADP will publish a new DMC Billing Manual in May 2009.

The DMH billing manual can be found at:  
<http://www.dmh.ca.gov/MedCCC/default.asp>

### 7.5 HIPAA IMPLEMENTATION GUIDES

HIPAA Implementation Guides are available for purchase at:  
<http://www.wpc-edi.com/>